ASSESSMENT OF THE IMPACT OF US DOLLAR EXCHANGE RATE FLUCTUATIONS ON THE NATIONAL CURRENCY MARKET

Ergashev Jasurbek Shuhrat O'g'li
Rahimova Xavoxon Usmanjanovna

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Relevance of the Topic: The relevance of this research is grounded in the current state of the global financial architecture where the US dollar remains the primary medium for international trade and reserves. For a developing economy such as Uzbekistan, the volatility of the dollar exchange rate is a critical factor that determines macroeconomic stability and the purchasing power of the national currency. As the country continues its path toward economic liberalization, understanding how dollar fluctuations transmit through the domestic market is essential for preventing financial crises and ensuring long-term growth.

Objectives of the Research: The main objective of this study is to provide a comprehensive assessment of the historical and economic mechanisms through which US dollar fluctuations influence the national currency market. This involves examining the scholarly theories surrounding exchange rates and analyzing the specific stages of Uzbekistan's currency evolution. Furthermore, the study aims to identify the relationship between currency volatility and domestic inflation to provide policy recommendations for the Central Bank.

Introduction. The stability of a national currency serves as a fundamental pillar for economic sovereignty and investor confidence. Within the global financial system, the US dollar acts as a benchmark for liquidity, meaning that its fluctuations trigger significant reactions in emerging markets. In Uzbekistan, the relationship between the Sum and the Dollar has undergone

dramatic changes, moving from a rigid administrative system to a more flexible market-oriented approach since 2017. This research explores the historical journey of these changes and evaluates the impact of global currency shifts on the local economic environment.

Literature Review. The theoretical foundation of exchange rate movements has been a major focus for many renowned global and local economists. Gustav Cassel provided the cornerstone with his Purchasing Power Parity theory, which suggests that exchange rates should align with the relative price levels between countries. This was further expanded by the Mundell-Fleming model, which describes the interaction between exchange rates and monetary policy in open economies.

In the local context, several scholars have made significant contributions to this field. Sh. Abdullayeva has extensively researched the impact of currency volatility on the liquidity of the banking system and the risks faced by commercial banks. N. Jumanov has focused on the institutional development of the currency market, while B. Berdiyev has evaluated the socio-economic consequences of the 2017 currency liberalization. Additionally, A. Vahobov has examined how international financial crises are transmitted to the national market through exchange rate channels.

Main Body and Methodology. The methodology of this research utilizes a systematic approach combined with historical periodization and statistical analysis. Data from the Central Bank and State Statistics Agency from 1994 to 2026 were used to track the correlation between the dollar rate and GDP growth. The analysis shows that the national currency market has passed through three distinct historical phases.The first phase involved the early years of independence where multiple exchange rates existed, leading to significant market distortions. The second phase was characterized by strict administrative controls and the emergence of an informal "black market" for currency. The third and current phase began with the 2017 reforms, which

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established a unified exchange rate and shifted toward an inflation-targeting regime. Statistical evidence suggests that a 10 percent appreciation of the dollar typically results in a significant increase in the price of imported capital goods, which in turn fuels domestic inflation.

Discussion.A critical point of discussion in this research is the phenomenon of "dollarization" within the national economy. Historically, a lack of trust in the local currency led many businesses and individuals to hold assets in dollars, which created a constant upward pressure on the exchange rate. While recent reforms have reduced this trend, the economy remains sensitive to external shocks. For instance, changes in the value of the currencies of major trading partners, such as the Russian ruble or the Turkish lira, often create indirect pressure on the Sum-Dollar pair. The discussion concludes that while Central Bank interventions are necessary to prevent extreme volatility, the market must be allowed to find its own equilibrium to ensure transparency and efficiency.

Conclusion. The assessment of the impact of US dollar fluctuations on the national currency market indicates that economic stability is deeply intertwined with exchange rate management. Historical analysis proves that market-based mechanisms are superior to administrative controls in the long run. To maintain the strength of the national currency, it is concluded that the government must focus on diversifying exports and reducing the structural dependence on imported goods. Enhancing the role of the national currency in financial contracts and developing local capital markets will further insulate the economy from the negative effects of global dollar fluctuations.

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